



San Diego City Attorney **MICHAEL J. AGUIRRE**

NEWS RELEASE

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CITY ATTORNEY DIRECTS CITY AUDITOR NOT TO MAKE PAYMENT ON RETIREMENT BENEFITS THAT ARE ILLEGAL

San Diego, CA: City Attorney Michael Aguirre directed the new City Auditor and Comptroller John Torell from making any payment on retirement allowances that the City Attorney's Office has deemed illegal per City Charter Section 144. The City Attorney's legal opinion is based on Interim **Report #3, Regarding Violations of State and Local Laws as Related to the SDCERS Pension Fund**, dated April 8, 2005.

In a memorandum dated June 17, City Attorney Aguirre directed the City Auditor to instruct the San Diego City Employees' Retirement System to calculate, on an individual retiree basis, a revised retirement allowance that does not contain any illegal benefits as identified by the City Attorney. The illegal benefits, amounting to approximately \$800 million, include: any retirement benefit based on the 1996 increase of the retirement factor from 1.45% to 2.00%; any retirement benefit based on the 2002 increase of the retirement factor from 2.00% to 2.50%; any retirement benefit that exceed the 90% retirement allowance cap; any retirement benefit based on the Deferred Retirement Option Plan; any retirement benefit based on a member's Union salary and City Salary; any retirement benefit based on a Purchase of Service Credit that was purchased by a member at a rate that was not actuarially neutral; any retirement benefit that became vested by way of Purchase of Service Credits rather than 10 years of actual service; any retirement benefit based on the Legislative Officers Retirement Plan; and any retirement benefit based on the Executive Officers Retirement Plan.

The City's employee pension plan is currently facing a \$1.5 billion deficit and is barely 60% funded. There are approximately 18,000 City employees in the pension plan and about 4100 retirees.

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